COMMENT/ *By Sanford Rose*

Tracking Bank Deposit Costs

Interest expenses as a percent of domestic bank deposits rose nearly 100 basis points from the third quarter of 1988 to the second quarter of 1989, before easing off slightly in the third quarter, according to data just released by the IDC Financial Corp. of Hartland, Wis.

Although interest rates had peaked earlier in the year, the cost of bank deposits rose 53 basis points in the second quarter of 1989 alone, greatly aggravating net-interest-margin headaches.

This outsize rise in bank deposit costs in part reflected a shortfall in total checkable deposits. From mid-December '88 to mid-June '89, the checkable deposits at depository institutions – both zero-cost demand deposits and low-cost NOWs – fell at a compound annual rate of 8.2%.

As their hoard of no-cost or low-cost money began contracting, banks were forced to refinance existing assets with more expensive deposits and borrowings.

Additionally, during 1989 many banks had to respond to the competition from money market mutual funds by raising their deposit rates. So not only did banks have to shift from noninterest-bearing to interest-bearing funds, but they also had to pay more for that interest-bearing money.

To make matters still worse, the opportunities to place the more expensive net new deposit inflows in high yielding, rate-insensitive consumer loans diminished – at least in many, though by no means all, regions of the country. So a number of banks had to funnel their costlier new money into rate-sensitive commercial loans, whose yields were coming down and are likely to fall further over the near term.

(Some margin relief was obtained in the fourth quarter, but it would appear that margins are once again under pressure in this quarter.)

The average bank in the United States paid 7.42% per dollar of domestic deposits in the third quarter of 1989, 96 basis points more than the rate paid in the third quarter of 1988.

Over-billion-dollar banks paid 7.51% in the third quarter of last year, a full 100 basis points more than was paid in the comparable quarter of 1988.

Cheaper in the West

Bank deposit costs vary widely by geographic area. Average costs are appreciably lower in the Far West than in the Midwest or in the East. Banks in states like California, Nevada, Arizona, Washington, Oregon, and Wyoming raise money whose average cost runs anywhere from 87% to 93% of the national norm.

The lower deposit costs of some western states may result from an above-average store of those interest-free demand balances. Demand deposits come from essentially two sources: small businesses that do not find it cost effective to monitor the level of their free balances and retail depositors who don't have balances large enough to be placed in NOW accounts. So if a state has an unusually large population of small businesses – e.g., California – its banks will generally pay less than the national average for deposit money.

'The trend in interest costs as a percent of deposits may serve as a sort of leading indicator of banking problems.'

Additionally, the higher the degree of bank concentration – as measured, albeit imperfectly, by the share of statewide deposits held by the four largest banks – the greater is the ability to hold down the cost of interest-bearing deposits. To some degree at least, the relatively low deposit costs of banks in Nevada, Washington, Oregon, and California as well, stem from the fact that banking in these states is far more concentrated than it is in other parts of the country.

Foreshadowing Problems

The trend in interest costs as a percent of deposits may serve as a sort of leading indicator of banking problems. Thus, a few years ago, the banks in Connecticut and Massachusetts had costs that just about matched the national average. But as the real estate boom escalated, so did average deposit costs.

By the end of 1987, Connecticut banks were paying an interest premium of 5% over the national average, while the Massachusetts banks were paying a whopping 10% premium. Apparently, the chance to make high-yielding real estate loans mightily encouraged banks in both states to pay up for money.

Escalating deposit costs also foreshadowed problems in Arizona. On average, banks in this state pay less than the national norm. But the smaller banks pay appreciably more. Once low-cost funders, these smaller institutions, like the banks in Connecticut and Massachusetts, began paying large premiums in 1987.

Recovering Oil Patch

By the same token, the decline in interest cost premia often signals the resolution of problems. Beginning in 1987, the interest costs of the Texas banks and of the larger Oklahoma institutions began soaring.

By the third quarter of 1987, the Texas banks, which had been accustomed to raising money at less than the national average, were compelled to pay a 4% premium. The larger Oklahoma banks also had to raise the deposit ante. By the middle of last year, however, deposit premiums had fallen measurably in both states.

As of the third quarter of 1989, the state with highest average deposit costs was Delaware, where interest costs as a percent of deposits amounted to 8.34%. This is a state dominated by credit card banks, which earn richly and therefore can afford to pay up for deposits, most of which are not of the "core" variety.

The state with the lowest deposit expense was Wyoming. The average bank in this state paid a mere 6.63 cents per dollar of deposit funds. □

CRIME BLOTTER/ *By Tom Leander*

High Court to Review Thief's Debt to Bank

The Supreme Court has decided to hear an appeal in a credit card fraud case that has spurred a legal dispute over the breadth of the Federal Victim and Witness Protection Act, established to help victims recover their losses.

The dispute is between Frasiel L. Hughey, a former post office worker who pleaded guilty to one count of credit card fraud in 1987, and federal prosecutors over how much he should repay the Texas bank that he bilked.

Mr. Hughey pleaded guilty to using only one stolen MBank U.S.A. credit card and argued that he should repay only the $10,422 that he spent using that card. But prosecutors said they had evidence that Mr. Hughey had used 21 stolen cards and had bilked MBank of $147,646. They warned the defendant that he would be ordered to repay the full amount.

During sentencing, however, a federal judge assessed a restitution amount of $90,412, striking a compromise between the two positions. Mr. Hughey was also sentenced to eight years in prison.

Mr. Hughey fought the judge's decision in the U.S. Court of Appeals for the Fifth Circuit, which upheld the lower-court decision last July.

The court held that one of the principal purposes of the Victim and Witness Protection Act "was to ensure that wrongdoers, to the degree possible, make their victims whole. If restitution were limited to the count of the conviction, given the high levels of plea bargaining within our criminal system, in the majority of cases, a victim could not be made whole."

In response to the latest appeal, the U.S. Solicitor General has sent a brief to the high court, arguing that a reversal of the Fifth Circuit ruling would violate Congress's intent to compensate crime victims adequately.

* * *

Janitors Caught Trying To Clean Cash Drawer

Police nabbed four janitors on Jan. 13 for allegedly stealing $400 in cash from a Wells Fargo Bank branch in Garden Grove, Calif.

The maintenance crew allegedly pried open a teller's cash drawer during the morning cleanup and removed the cash. Police, alerted by a silent alarm in the drawer, rushed to the branch and discovered the cash stashed in the personal belongings of one of the suspects.

The janitors, three of whom are employed by the Peerless Building Maintenance Co. of North Hollywood, are being held on suspicion of grand theft.

This is the second time in as many months that a janitorial crew in the area was suspected of stealing money from a bank while cleaning it up, police said.

In early December, police were alerted by an alarm to a burglary at the Golden West Cities Federal Credit Union in Los Angeles. Eyewitness descriptions led to the arrests of a maintenance crew a few minutes later.

* * *

NY Thrift President Back on Trial for Fraud

The loan fraud trial of the former president of the failed Flushing Federal Savings and Loan Association opened in a Brooklyn federal court last week.

Carl Cardascia, president of Flushing Federal when it collapsed in 1986, has been charged with engaging in a loan kickback scheme with a New Jersey development firm.

The prosecution charges that the former thrift executive lent $5 million to World Wide Ventures Corp. in exchange for World Wide stock, which he then transferred to his wife under her maiden name.

Joseph Ryan, Mr. Cardascia's lawyer, said in court last week that the developer issued the stock to Mr. Cardascia without his consent. The lawyer maintains that the developer wanted to demonstrate to associates his control over Mr. Cardascia.

This is the second case involving Flushing Federal to go to court. Last year, a federal judge in Brooklyn acquitted Mr. Cardascia on charges of management fraud. □

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

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Banks Push to Become Major Dealers in Commercial Paper Market

Continued from *page* 1

Having gained court approval to deal in the commercial paper market, commercial banks see commercial paper as an important product both for serving their corporate customers and for building up distribution for all securities.

"This product was a hallmark for breaking into the investment banking and securities markets," said Alexandra Hahn, vice president and head of short term finance originations at Bankers Trust Co., the first commercial bank into the market.

"It is one of the core products for Citicorp investment bank to build on," said John Ward, vice president.

Commercial banks have made headway in convincing corporate treasurers to make them additional dealers on programs. Ironically, that is the same strategy that Merrill Lynch used when it was first building its commercial paper business.

"We are able to do business easier, and it is less hard to convince people than it used to do be," Mr. Ward said.

Targeting Current Clients

Commercial banks are using several strategies to sell themselves to companies. Most banks focus on winning business from companies that they currently serve in other ways.

"Many of the significant programs we have won are from the bank's important clients," Ms. Hahn said. "On top of that, we have focused on getting some of the bigger and more conspicuous programs, such as the large acquisition-finance-type programs."

Bankers Trust can go after the acquisition finance programs – that is, financings tied to mergers – because of its leading role in financing such transactions.

Citibank is pursuing junk, or noninvestment-grade, commercial paper programs. "It is a natural extension of our lending business to noninvestment-grade corporations," Mr. Ward said.

Some banks use the strength of their base of regional investors as a selling point. While dealer-banks sell mostly to big institutions and money funds, Bank of America also sells commercial paper to many middle-market companies for which it handles other day-to-day banking needs, according to Lisa Trygg, vice president and head of the bank's money market group.

Is Market Too Small?

Some investment bankers argue that the noninstitutional investors cannot add up to a substantial market. But Bank of America's customer demand exceeds the amount of dealer commercial paper it currently handles, and it often has to buy for customers from companies that sell their own paper, Ms. Trygg said.

Similarly, First National Bank of Chicago markets its distribution network in the Midwest. "Over 50% of our paper is sold to corporations with excess cash, and the next biggest group is smaller banks in the Midwest," said Edward Austin, vice president and manager of the bank's commercial paper desk.

Profit pressures may force more investment banks to cut back their activities in commercial paper distribution.

Smaller investors are less sensitive about getting the best rate and more concerned about safety, Mr. Austin said. "They turn out to be 3 to 5 basis points more reasonable," he said.

Commercial banks have been able to win more substantial roles in bigger commercial paper programs, bankers said. That is why the amount of outstandings went up so much more than the number of programs.

Setback at Chemical

Chemical Bank was set back slightly this year when it moved its commercial paper dealer to its securities subsidiary. That forced the bank to give up some programs, because it was also supplying credit enhancement. But the bank added better accounts, according to a Chemical official.

"The accounts we brought on are generally larger and have a better credit quality," the Chemical banker said. "For 1990, that's the priority."

Data on each company's programs and outstandings were provided by the companies and were not verified by the *American Banker*. Banks were asked to give the number of active, domestic commercial paper programs at yearend 1989 and the amount outstanding on those programs, excluding their own commercial paper. □

Chemical's Dolan Dies in Car Accident

NEW YORK — Thomas M. Dolan, 42, vice president and manager of Chemical Bank's commercial paper department, died Jan. 15 in an auto accident.

The banker was en route to a ski area in upstate New York with his two children, who were not injured.

Mr. Dolan joined Chemical's commercial paper department in 1987 as a vice president. He became manager in 1988. Before joining Chemical, Mr. Dolan had been a vice president of Shearson Lehman Hutton Inc.

Mr. Dolan lived in Larchmont, N.Y., with his wife, Leslie, and children. □

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December 18, 1989

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Banks Willing To Pay Way Out Of Debt Mess

By JAMES R. KRAUS

NEW YORK — By agreeing to forgive a portion of their loans to Mexico and the Philippines, bankers have shown they are willing to swallow hefty losses in order to avoid making new loans to Third World countries.

"The debt-forgiveness genie is out of the bottle," said Lawrence Cohn, an analyst with Drexel Burnham Lambert Inc. "We're going to see additional examples of that."

In a series of recent landmark accords, U.S. and foreign banks have agreed to forgive 35 percent of their loans to Mexico and 50 percent of their loans to the Philippines.

ANALYSIS *Follow-up on the news*

Venezuela, Costa Rica, and Morocco are now negotiating debt reductions with their bankers, and similar talks will soon begin with Jamaica and Uruguay. Yugoslavia, and possibly Poland, also are viewed as candidates for debt reduction.

Observers predicted that banks will forgive a significant portion of their loans to these countries, provided that they do not have to make any new loans.

'Get Rid of It'

"Most U.S. banks with LDC exposure just want to get rid of it and not have the headaches anymore," said Mark Gross, a banking analyst with IBCA Inc. in New York.

Several factors are responsible for the new-found willingness of banks to accept debt reduction. The banks have been steadily increasing their reserves against LDC debt, and in most instances, accepting debt reduction now will not reduce profits.

What's more, the Bush Administration has put considerable pressure on banks to take some losses on their Third World loans. Debt forgiveness is the cornerstone of Treasury Secretary Nicholas F. Brady's initiative to assist financially troubled Third World nations.

A Nudge from Treasury

"Treasury took some of the chairmen aside and told them to play ball," said a source close to the banks. "The perception among banks was that if they didn't start accommodating they were going to get screwed."

In order to get banks to go along with the Mexican accord, the Treasury was forced to cough up what amounts to a $350 million public subsidy. Under the plan, the Treasury will agree to issue discount

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INSIDE NEWS

PEOPLE

MERIDIAN BANCORP., which is in the process of reshuffling top management, recruited former Midlantic executive David E. Sparks as vice chairman. *Page 2*

CONSUMER

INVEST FINANCIAL is enjoying a growing demand for its brokerage services now that many financial institutions have decided to exit the field. *Page 8*

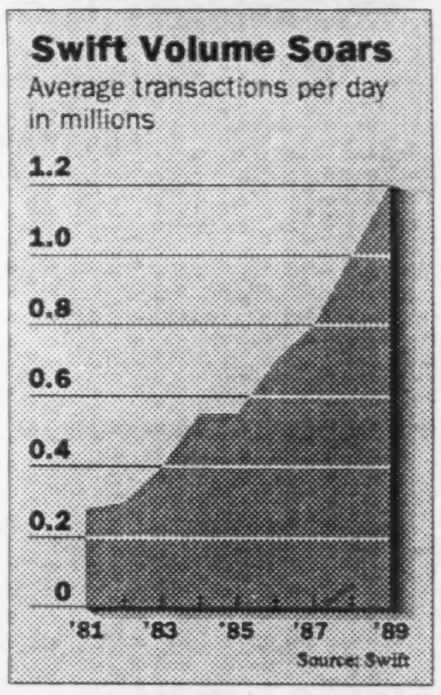
INTERNATIONAL

BRAZIL is going to seek inclusion in the Brady plan to reduce foreign debt, abandoning an earlier attempt to decentralize the process of debt relief. *Page 13*

FINANCE

LONG-TERM RATES have risen sharply in the past month, but asset/liability managers are not ready to make a major interest rate bet. *Page 16*

TECHNOLOGY



SIX U.S. INSTITUTIONS are among 52 banks worldwide that are testing Swift-2, the long-awaited upgrade to the telecommunications network. *Page 3*

OTHER NEWS

BANKERS TRUST New York Corp. posted a 45% drop in earnings for the fourth quarter. The company cited lower net interest income and higher provisions for Third World loan losses. *Page 2*

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Banking Panel Faults Bush On Pace of S&L Resolutions

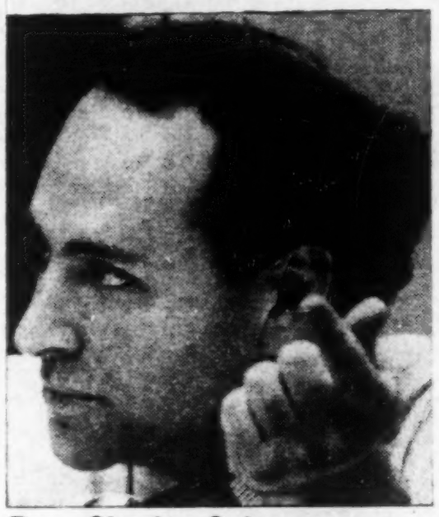
By ROBERT M. GARSSON

WASHINGTON — Members of the House Banking Committee criticized the Bush administration on Tuesday over the slow pace of thrift sales under the government's $159 billion bailout package.

"The crisis is still getting worse," said Rep. Charles Schumer, D-N.Y. "One question I have is, why have so many brain-dead thrifts been allowed to live so long?"

Rep. Frank Annunzio, D-Ill., said: "Lately, [the RTC] has spent more time posturing for more money than in using what they have."

The Resolution Trust Corp., created last August to dispose of insolvent thrifts, has seized 342



Rep. Charles Schumer

institutions and expects to take over 200 more within three years. So far, only 40 relatively small thrifts have been sold. Lawmakers expressed concern

See **HOUSE** *page* **10**

U.S. Repudiates Centrust's 10K, Halts Trading in Thrift's Stock

By JIM McTAGUE and GORDON MATTHEWS

Regulators escalated their bitter battle with deeply troubled Centrust Bank on Tuesday, ordering a five-day halt in the trading of the Miami thrift's depressed stock.

The Office of Thrift Supervision charged that Centrust's 10K annual report, filed last week, failed to recognize losses that would wipe out shareholder equity.

The $9 billion-asset institution also failed to disclose the "magnitude of its dispute" with regulators, the agency said.

The OTS described the action "as a message to Wall Street" about the condition of the thrift.

Centrust said the OTS action was aimed at forcing the thrift

See **U.S.** *page* **10**

Banks Pull Financing on Birmingham Buyout Deal

By LISABETH WEINER

Another leveraged buyout hit the skids on Tuesday when Birmingham Steel Corp. said it was advised that banks had second thoughts about financing the $525 million transaction.

At the same time, new doubts have surfaced about the likelihood of putting together a buyout of Hilton Hotels Corp. The company said in a statement that its board, at a regular meeting next week, will consider future alternatives available to the company – including doing nothing.

Was Bid Withdrawn?

Traders and arbitragers wondered whether this means that a bid for the company from JMB Realty, rumored to be $90 a share, has been withdrawn or lowered. Telephone calls to JMB and Hilton were not immediately returned.

The failed Birmingham transaction and the uncertainty over Hilton reinforces the ongoing caution and apprehension commercial bankers are feeling toward financing of leveraged transactions.

See **ANOTHER** *page* **14**

Fed Watchers Expect Interest Rate Decline

By ROBERT TRIGAUX

WASHINGTON — Most Fed watchers dismiss as temporary this year's upturn in long-term interest rates and predict economic weakness will spur more rate cuts in the federal funds market within four to eight weeks.

Brushing aside current market fears of inflation and rising rates in Japan, economists here predicted that federal funds should fall another 25 basis points, to 8%, no later than March – and even lower by late spring.

Prime Rate Cut in Offing?

A 7.75% fed funds rate should prompt another cut in the prime rate, from 10% to 9.5%, said numerous market analysts interviewed Tuesday.

Balance sheet managers at banks, however, were less certain of the rate trend. They said they are unlikely to tamper with the maturities in their asset-liability management strategies until they see more direction. (See "Capital," page 16.)

The economists, too, recognize the opposing forces at work.

For now, said rate watcher

Economists Foresee Lower Federal Funds Rate

Current Rate: 8.25%

	1 Month	6 Months	1 Year
Darwin Beck, First Boston Corp.	8.0%	7.5-7.75%	7.5-7.75%
Ray Stone, Stone & McCarthy	8.25%	7.5%	7.0%
Michael R. Englund, MMS International	8.25%	7.75%	7.5%
Kathleen B. Cooper, Security Pacific National Bank	8.0%	7.25%	7.5%
Robert H. Chandross, Lloyds Bank	8.0%	7.5-7.75%	7.75%

Source: American Banker

Ray Stone of Stone & McCarthy, "the Fed is in a box." Inflation worries from recent increases in food and fuel prices, concern that Japanese investors may be growing cool to U.S. Treasury securities, and the recent public call by the Bush administration for lower interest rates all have combined to limit the Fed's ability to influence short-term rates, said economists.

What's Japan Doing?

"A big concern with Japan is whether it is selling dollar-denominated securities or whether it is willing to buy more," said one analyst. "Spreads between Japanese and U.S. securities are sharp, not because U.S. rates are down and Japan's are up. Both rates are up, but Japan's is rising faster."

Lloyds Bank economist Robert H. Chandross said the recent rate upticks are not sustainable because the economy is not strong.

Not all rate watchers forecast easing by the Fed, however. Charles Lieberman, director of

See **GREENSPAN** *page* **6**

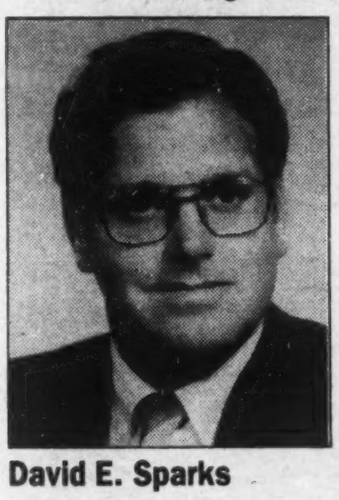
PEOPLE *in the news*

In Reshuffling, Meridian Hires Sparks of Midlantic

By ELLEN MEMMELAAR

Meridian Bancorp., a Reading, Pa., holding company that grew 25% last year despite the failure of its bid to acquire Philadelphia-based First Pennsylvania Corp., has reached into New Jersey to recruit a new vice chairman.

David E. Sparks, who had been an executive vice president of Midlantic Corp., Edison, N.J., was named vice chairman and chief financial officer as part of a reshuffling of top-management responsibilities at the $11.9 billion-asset Meridian. Mr. Sparks will be in charge of the financial, corporate development, investor relations, and funds management departments.



David E. Sparks

Mr. Sparks, 45, took the chief financial officer title from Terry L. Troupe, another vice chairman, who was put in charge of several nonbank operations including Meridian Asset Management Inc., Delaware Trust Capital Management Inc., American Title Insurance Co., Meridian Mortgage Corp., Meridian Securities Inc., and Meridian Automation and Technology Corp.

Ezekiel S. Ketchum, president and chief operating officer, oversees the holding company's banking units, including Meridian Bank, Delaware Trust Co., and First National Bank of Pike County.

Samuel A. McCullough, chairman and chief executive officer, described the alignment as a "two-major-business-unit structure" in which the banking and nonbanking units will take responsibility for support functions formerly performed by the holding company.

Background in Investor Relations, Marketing

Mr. McCullough said that Mr. Sparks' experience in management, marketing, and investor relations at Midlantic made him attractive to Meridian, which is seeking to improve its image among Wall Street analysts and investors.

Mr. Sparks, who describes himself as aggressive, said he sees "great opportunity for the expansion of existing businesses" and creation of new businesses, but he declined to be more specific.

As chief financial officer, he said he also hopes to have a hand in improving profitability. The holding company increased earnings 6% last year to $91.4 million – its 32d consecutive annual rise – but return on average assets fell to 0.89% from 0.99% in 1988.

At Midlantic since 1984, Mr. Sparks recently had to cope with the company's exposure to a declining real estate market in New Jersey. "Maybe he got tired of answering the real estate question," said James Hanbury, an analyst at Wertheim Schroder in New York. "It's a sideways move for him."

David Penn, a bank analyst at Legg Mason Wood Walker in Baltimore, was more positive: "The restructuring sounds good. Sparks seems to have a pretty good handle on what he is talking about."

Colin Crook, Computer Exec, Hired By Citicorp to Be 'Technology Czar'

By RICHARD LAYNE

Just as it did in filling the position the first time, Citicorp has gone outside the banking industry to hire a "technology czar." The new technologist, Colin Crook, will advise on computing and communications strategies for the most global and automated of banking companies.

Mr. Crook, formerly senior vice president of Data General Corp., a computer manufacturer, will succeed Paul Glaser as chairman of the Citicorp Technology Office. The office has a staff of 40 that reports directly to Citicorp chairman John S. Reed.

"He [Mr. Reed] wanted a perspective on the bank, based on my wide background in technology and other businesses around the world," said Mr. Crook.

Mr. Glaser, an aerospace engineer who joined Citicorp in 1973 from TRW Inc., has been appointed president of Quotron Inc., a money-losing Citicorp unit that sells equity pricing information.

Communications Experience at Data General

Mr. Crook managed the communication systems group at Data General, which developed and marketed advanced technology products. Citibank's technology office is concerned with the practical application of technology, not with banking products and services.

Industry observers said that Mr. Crook, also an electrical engineer, should fit into Citibank's efforts to explore advanced technologies for banking.

Citicorp, with offices in 90 countries, is expanding its global communications capabilities and has initiatives in technology intensive businesses such as retail point-of-sale services.

A native of Britain, Mr. Crook began his career with the British Broadcasting company and also worked for British Telecom. He also worked for Motorola in the United States. □

Bankers Trust Net Declines 45%

Provisions Quadrupled for Third World Loan Losses

By GORDON MATTHEWS

NEW YORK — Following the trend of other money-center banks, Bankers Trust New York Corp. on Tuesday reported that its fourth-quarter profits declined 45%. The decline was due to a quadrupling of its provisions for losses on loans to Third World countries and a decline in interest payments from Brazil.

Bankers Trust said it earned $101.2 million in the fourth quarter, or $1.17 a share, compared with $185.5 million, or $2.29, a year ago. The earnings were in line with analysts' expectations.

The provision for credit losses in the fourth quarter was $147 million, up from $30 million in the year-earlier period. With the latest loan-loss provision increases, Bankers Trust has made allowances for 70% of its Third World loans. It is now among the most heavily reserved money-center banks for foreign loans.

Fully taxable net-interest revenue in the quarter totaled $235.2 million, a decline of $88.6 million from a year ago. The decline was mostly due to the fact that minimal interest payments were received from Brazilian borrowers in the quarter, while $95 million of interest due in the fourth quarter a year ago was recognized.

BANKERS TRUST N.Y. CORP.
New York
Dollar amounts in millions (except per share)

FOURTH QUARTER	4Q '89	4Q '88
Net income	$101.2	$185.5
Per share	1.17	2.29
Net interest income (tax. equiv.)	235.2	323.8
Spread	0.56%	1.56%
ROA	0.64%	1.28%
ROE	17.52%	22.70%
Noninterest income	431.6	420.5
Noninterest expense	405.4	438.4
Loss provision	147.0	30.0
Net chargeoffs	321.7	29.0

FULL YEAR	1989	1988
Net income	($979.9)	$647.7
Per share	(12.10)	8.09
Net interest income (tax. equiv.)	948.4	1,020.6
Spread	0.67%	1.15%
ROA	NA	1.12%
ROE	NA	21.44%
Noninterest income	1,953.3	1,660.1
Noninterest expense	1,757.5	1,622.1

BALANCE SHEET	12/31/89	12/31/88
Assets	$55,658.4	$57,942.3
Deposits	26,220.1	32,490.6
Loans	21,153.5	24,115.1
Shareholder equity	81.9	81.1
Loss reserve	2,732.0	1,313.9
Reserve/loans ratio	12.92%	5.45%
Nonperf. loans	1,397.0	1,291.0
Nonperf. loans/loans	6.6	5.4
Primary capital ratio	9.48%	8.58%

As expected, Bankers Trust reported a net loss of $979.9 million, or $12.10 per share, for 1989 because of the $1.6 billion special provision for Third World loan losses in the third quarter. That compares with record net income of $647.7 million, or $8.09 per share, in 1988.

The bank noted that 1989 earnings would have fallen below the 1988 high mark even without the third quarter provisions. Excluding the big provision, net income for the year would have been 4% lower, totaling $620.1 million.

Noninterest income at Bankers Trust rose 3% in the fourth quarter against the period a year ago, totaling $431.6 million. This was largely due to higher revenues from trading activities and an increase in trust and custodian revenues.

Net Chargeoffs Rise

Total net chargeoffs for the quarter were $321.7 million, compared with $29 million last year. Net chargeoffs of developing country loans for the quarter were $172 million.

The chargeoffs included $114.3 million of nonperforming medium- and long-term loans to Brazilian borrowers and $41 million of similar loans made to Argentine borrowers.

During the fourth quarter, Bankers Trust said it continued accruing interest on most of its medium- and long-term loans to Mexican borrowers at a level that reflected the bank's decision to exchange 75% of that debt for interest reduction bonds and the remaining 25% for principal reduction bonds. □

Corrections

A Jan. 22 article ("Community Reinvestment Vexing to Wholesale Banks," page 6) misstated Morgan Guaranty Trust Co.'s investment in Community Capital Bank. Morgan invested $150,000 in the community development bank's stock.

■

An article in the Jan. 22 edition ("First Fidelity Watched for Move on Integrated," page 22) carried outdated information about the intended sale of Integrated Resources Inc.'s core businesses. Those businesses were sold to Broad Inc. on Jan. 18, the buyer said. □

Top Bank Dealers of Commercial Paper

	Overall Rank*	Programs 1989	Programs 1988	Outstandings ($ in billions) 1989	Outstandings ($ in billions) 1988
Bankers Trust	5	150	130	$16.0	$11.0
Citibank	6	114	94	13.0	8.0
Bank of America	8	88	53	6.1	3.8
J.P. Morgan Securities	9	83	67	10.5	7.0
Chemical	10	35	31	3.5	2.0
First National Bank of Chicago	11	33	12	3.5	NA

Domestic programs only. Banks' own commercial paper is excluded.
*Including brokerage companies

Source: American Banker

CORRECTED TABLE: A table on commercial paper appeared Tuesday on page 1 with several errors. The First National Bank of Chicago was incorrectly identified, and the 1989 figure for J.P. Morgan Securities was wrong. A correct version appears above.

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